

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

|  |                             |   |                       |
|--|-----------------------------|---|-----------------------|
| Local Unit of Government Type<br><input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other |                             | Local Unit Name<br>Township of Manistique           | County<br>Schoolcraft |
| Fiscal Year End<br>March 31, 2008  | Opinion Date<br>May 7, 2008 | Date Audit Report Submitted to State<br>May 9, 2008 |                       |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

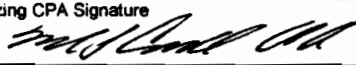
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2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

|  |                                     |  |                              |
|--|-------------------------------------|--|------------------------------|
| <b>We have enclosed the following:</b>   | Enclosed                            | Not Required (enter a brief justification) |                              |
| Financial Statements   | <input checked="" type="checkbox"/> |  |                              |
| The letter of Comments and Recommendations   | <input checked="" type="checkbox"/> |  |                              |
| Other (Describe)   | <input type="checkbox"/>            | N/A  |                              |
| Certified Public Accountant (Firm Name)<br>Campbell, Kusterer & Co., P.C.  |                                     | Telephone Number<br>989-894-1040           |                              |
| Street Address<br>512 N. Lincoln, Suite 100, P.O. Box 686  |                                     | City<br>Bay City                           | State<br>MI                  |
|  |                                     | Zip<br>48707                               |                              |
| Authorizing CPA Signature<br> |                                     | Printed Name<br>Mark J. Campbell           | License Number<br>1101007803 |

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

May 7, 2008

To the Township Board  
Township of Manistique  
Schoolcraft County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Manistique, Schoolcraft County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Manistique's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Manistique, Schoolcraft County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Manistique covers the Township's financial performance during the year ended March 31, 2008.

**FINANCIAL HIGHLIGHTS**

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$419,967.92 for governmental activities. Overall total capital assets remained the same.

Overall revenues were \$190,305.28. Governmental activities had a \$62,500.57 increase in net assets.

**OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

**ENTITY-WIDE FINANCIAL STATEMENTS**

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund.

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

**CONDENSED FINANCIAL INFORMATION**

For the Year Ended March 31, 2008

|                            | <u>Total<br/>Governmental<br/>Activities<br/>2008</u> |
|----------------------------|---|
| Current Assets             | 374 297   |
| Capital Assets             | <u>92 215</u>   |
| Total Assets               | <u>466 512</u>  |
| Current Liabilities        | -   |
| Non-current Liabilities    | <u>46 544</u>   |
| Total Liabilities          | <u>46 544</u>   |
| Net Assets:                |   |
| Invested in Capital Assets | 92 215  |
| Unrestricted               | <u>327 753</u>  |
| Total Net Assets           | <u><u>419 968</u></u>                                 |

|                               | <u>Total<br/>Governmental<br/>Activities<br/>2008</u> |
|-------------------------------|---|
| Program Revenues:             |   |
| Fees and Charges for Services | 13 533  |
| General Revenues:             |   |
| Property Taxes                | 37 786  |
| Swamp Tax                     | 38 835  |
| State Revenue Sharing         | 74 633  |
| Interest                      | 15 934  |
| Miscellaneous                 | <u>9 585</u>  |
| Total Revenues                | <u>190 306</u>  |
| Program Expenses:             |   |
| Legislative                   | 16 288  |
| General Government            | 53 129  |
| Public Safety                 | 24 760  |
| Public Works                  | 32 628  |
| Recreation and Culture        | <u>1 000</u>  |
| Total Expenses                | <u>127 805</u>  |
| Increase in Net Assets        | 62 501  |
| Net Assets, April 1           | <u>357 467</u>  |
| Net Assets, March 31          | <u><u>419 968</u></u>                                 |

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services which totaled \$168,596.71.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets this year.

The Township paid \$50,000.00 of principal on long-term debt and obtained \$23,165.99 in loan proceeds.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk, Joanne Fagan at (906)341-5223 or at 5683 W. River Road, Manistique, MI 49854.

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2008

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| ASSETS:   |                                    |
| CURRENT ASSETS:                                 |                                    |
| Cash in bank                                    | 369 721 08                         |
| Taxes receivable                                | <u>4 576 08</u>                    |
| Total Current Assets                            | <u>374 297 16</u>                  |
| NON-CURRENT ASSETS:                             |                                    |
| Capital Assets                                  | 193 468 32                         |
| Less: Accumulated Depreciation                  | <u>(101 253 32)</u>                |
| Total Non-current Assets                        | <u>92 215 00</u>                   |
| TOTAL ASSETS                                    | <u><u>466 512 16</u></u>           |
| LIABILITIES AND NET ASSETS:                     |                                    |
| LIABILITIES:                                    |                                    |
| CURRENT LIABILITIES                             |                                    |
| Accounts payable                                | <u>-</u>                           |
| Total Current Liabilities                       | <u>-</u>                           |
| NONCURRENT LIABILITIES:                         |                                    |
| Contracts payable                               | <u>46 544 24</u>                   |
| Total Noncurrent Liabilities                    | <u>46 544 24</u>                   |
| Total Liabilities                               | <u>46 544 24</u>                   |
| NET ASSETS:                                     |                                    |
| Invested in Capital Assets, Net of Related Debt | 92 215 00                          |
| Unrestricted                                    | <u>327 752 92</u>                  |
| Total Net Assets                                | <u>419 967 92</u>                  |
| TOTAL LIABILITIES AND NET ASSETS                | <u><u>466 512 16</u></u>           |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

|                               | <u>Expenses</u>   | <u>Program<br/>Revenue</u> | <u>Governmental<br/>Activities<br/>Net (Expense)<br/>Revenue and<br/>Changes in Net<br/>Assets</u> |
|-------------------------------|-------------------|----------------------------|--|
| <b>FUNCTIONS/PROGRAMS</b>     |                   |                            |  |
| Governmental Activities:      |                   |                            |  |
| Legislative                   | 16 288 18         | -                          | (16 288 18)  |
| General government            | 53 129 21         | 13 533 07                  | (39 596 14)  |
| Public safety                 | 24 760 03         | -                          | (24 760 03)  |
| Public works                  | 32 627 29         | -                          | (32 627 29)  |
| Culture and recreation        | 1 000 00          | -                          | (1 000 00)   |
| Total Governmental Activities | <u>127 804 71</u> | <u>13 533 07</u>           | <u>(114 271 64)</u>  |
| General Revenues:             |                   |                            |  |
| Property taxes                |                   |                            | 37 785 60  |
| Swamp tax                     |                   |                            | 38 834 59  |
| State revenue sharing         |                   |                            | 74 633 12  |
| Interest                      |                   |                            | 15 934 07  |
| Miscellaneous                 |                   |                            | <u>9 584 83</u>  |
| Total General Revenues        |                   |                            | <u>176 772 21</u>  |
| Change in net assets          |                   |                            | 62 500 57  |
| Net assets, beginning of year |                   |                            | <u>357 467 35</u>  |
| Net Assets, End of Year       |                   |                            | <u>419 967 92</u>  |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2008

|                                    | <u>Total<br/>(General)</u> |
|------------------------------------|----------------------------|
| <u>Assets</u>                      |                            |
| Cash in bank                       | 369 652 68                 |
| Taxes receivable                   | 4 576 08                   |
| Due from other funds               | <u>68 40</u>               |
| Total Assets                       | <u><u>374 297 16</u></u>   |
| <u>Liabilities and Fund Equity</u> |                            |
| Liabilities                        |                            |
| Accounts payable                   | <u>-</u>                   |
| Total liabilities                  | <u>-</u>                   |
| Fund equity:                       |                            |
| Fund balances:                     |                            |
| Unreserved:                        |                            |
| Undesignated                       | <u>374 297 16</u>          |
| Total fund equity                  | <u><u>374 297 16</u></u>   |
| Total Liabilities and Fund Equity  | <u><u>374 297 16</u></u>   |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2008

|  |                    |
|--|--------------------|
| TOTAL FUND BALANCES – GOVERNMENTAL FUNDS   | 374 297 16         |
| Amounts reported for governmental activities in the statement of net assets are different because –  |                    |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet: |                    |
| Capital assets at cost   | 193 468 32         |
| Accumulated depreciation   | (101 253 32)       |
| Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:                 |                    |
| Contracts payable  | <u>(46 544 24)</u> |
| TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES   | <u>419 967 92</u>  |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2008

|  | <u>Total</u>             |
|--|--------------------------|
| Revenues:  |                          |
| Property taxes   | 37 785 60                |
| Swamp tax  | 38 834 59                |
| State revenue sharing  | 74 633 12                |
| Charges for services- PTAF   | 13 533 07                |
| Interest   | 15 934 07                |
| Miscellaneous  | <u>9 584 83</u>          |
| Total revenues   | <u>190 305 28</u>        |
| Expenditures:  |                          |
| Legislative:   |                          |
| Township Board   | 16 288 18                |
| General government:  |                          |
| Supervisor   | 7 665 36                 |
| Elections  | 2 588 00                 |
| Assessor   | 15 095 80                |
| Clerk  | 8 249 38                 |
| Board of Review  | 825 70                   |
| Treasurer  | 11 520 96                |
| Township Hall  | 3 476 01                 |
| Public safety:   |                          |
| Fire protection  | 19 260 03                |
| Public works:  |                          |
| Highways and streets   | 26 348 54                |
| Sanitation   | 6 278 75                 |
| Culture and recreation:  |                          |
| Parks  | 1 000 00                 |
| Debt service   | <u>50 000 00</u>         |
| Total expenditures   | <u>168 596 71</u>        |
| Excess of revenues over expenditures                                     | <u>21 708 57</u>         |
| Other financing sources (uses):  |                          |
| Loan proceeds  | <u>23 165 99</u>         |
| Total other financing sources (uses)                                     | <u>23 165 99</u>         |
| Excess of revenues and other sources<br>over expenditures and other uses | 44 874 56                |
| Fund balances, April 1   | <u>329 422 60</u>        |
| Fund Balances, March 31  | <u><u>374 297 16</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 44 874 56

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

|                      |            |
|----------------------|------------|
| Depreciation Expense | (9 208 00) |
| Capital Outlay       | -          |

Repayment of debt principal is an expenditure in the governmental funds, the  
repayment does not have an effect in the statement of activities but does  
reduce the debt balance in the statement of net assets.

|                                      |           |
|--------------------------------------|-----------|
| Principal payments on long-term debt | 50 000 00 |
|--------------------------------------|-----------|

Loan proceeds is a revenue in the fund but it is not reported as revenue in the  
statement of activities although it does increase long-term debt in the statement  
of net assets.

(23 165 99)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

62 500 57

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the Township of Manistique, Schoolcraft County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

**Reporting Entity**

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Manistique. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Governmental Funds**

**General Fund**

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

**Fiduciary Fund**

The Current Tax Collection Fund is used to account for assets held as an agent for others.

**Assets, Liabilities and Net Assets or Equity**

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables**

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

**Inventories**

Inventories of supplies are considered to be immaterial and are not recorded.

**Property Taxes**

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 1.0529 mills, and the taxable value was \$35,523,540.00.

**Encumbrances**

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Capital Assets**

Capital assets are defined by the Township as assets with an initial cost of more than \$850.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

|           |            |
|-----------|------------|
| Building  | 20 years   |
| Equipment | 3-20 years |

**Compensated Absences (Vacation and Sick Leave)**

Employees are not allowed to accumulate vacation and sick pay.

**Post-employment Benefits**

The Township provides no post-employment benefits to past employees.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Note 2 – Budgets and Budgetary Accounting**

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

|                | <u>Carrying<br/>Amounts</u> |
|----------------|-----------------------------|
| Total Deposits | <u>369 771 39</u>           |

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

|                                | <u>Bank<br/>Balances</u> |
|--------------------------------|--------------------------|
| Insured (FDIC)                 | 200 000 00               |
| Uninsured and Uncollateralized | <u>171 999 53</u>        |
| Total Deposits                 | <u>371 999 53</u>        |

The Township did not have any investments as of March 31, 2008.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

**Concentration of Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 3 – Deposits and Investments (continued)**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

|  | Balance<br>4/1/07 | Additions  | Deletions | Balance<br>3/31/08 |
|--|-------------------|------------|-----------|--------------------|
| <b><u>Governmental Activities:</u></b> |                   |            |           |                    |
| Land                                   | 69 900 00         | -          | -         | 69 900 00          |
| Building                               | 1 885 00          | -          | -         | 1 885 00           |
| Equipment                              | 121 683 32        | -          | -         | 121 683 32         |
| Total                                  | 193 468 32        | -          | -         | 193 468 32         |
| Accumulated Depreciation               | (92 045 32)       | (9 208 00) | -         | (101 253 32)       |
| Net Capital Assets                     | 101 423 00        | (9 208 00) | -         | 92 215 00          |

**Note 5 – Pension Plan**

The Township has a defined contribution pension plan that covers all elected officials. The Township contributes a percentage of each covered employee's wages to the plan. The Township's total contribution to the plan for the fiscal year ended March 31, 2008 was \$4,441.01.

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

The Township of Manistique does not issue building permits. Building permits are issued by the County of Schoolcraft.

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 9 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

| <u>Fund</u> | <u>Interfund<br/>Receivable</u> | <u>Fund</u>            | <u>Interfund<br/>Payable</u> |
|-------------|---------------------------------|------------------------|------------------------------|
| General     | 68 40                           | Current Tax Collection | 68 40                        |
| Total       | <u>68 40</u>                    | Total                  | <u>68 40</u>                 |

**Note 10– Long-Term Debt**

A summary of the changes in long-term debt follows:

|                                       | <u>Balance<br/>4/1/07</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance<br/>3/31/08</u> |
|---------------------------------------|---------------------------|------------------|-------------------|----------------------------|
| Contract Payable – Road<br>Commission | <u>73 378 25</u>          | <u>23 165 99</u> | <u>50 000 00</u>  | <u>46 544 24</u>           |

**Note 11– Contract Payable- Road Commission**

The Township entered into a contract with the Schoolcraft County Road Commission for the purpose of road work. The Township is making annual principal payments and as of March 31, 2008, the outstanding principal balance of the contract was \$46,544.24.

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended March 31, 2008

|   | Original<br>Budget | Final<br>Budget    | Actual            | Variance with<br>Final Budget<br>Over<br>(Under) |
|---|--------------------|--------------------|-------------------|--|
| <b>Revenues:</b>  |                    |                    |                   |  |
| Property taxes  | 39 500 00          | 39 500 00          | 37 785 60         | (1 714 40)                                       |
| Swamp tax   | 385 00             | 38 835 00          | 38 834 59         | (41)   |
| State revenue sharing   | 71 000 00          | 71 000 00          | 74 633 12         | 3 633 12   |
| Charges for services- PTAF  | 13 500 00          | 13 500 00          | 13 533 07         | 33 07  |
| Interest  | 5 500 00           | 5 500 00           | 15 934 07         | 10 434 07  |
| Miscellaneous   | 14 045 00          | 14 045 00          | 9 584 83          | (4 460 17)                                       |
| <b>Total revenues</b>   | <b>143 930 00</b>  | <b>182 380 00</b>  | <b>190 305 28</b> | <b>7 925 28</b>                                  |
| <b>Expenditures:</b>  |                    |                    |                   |  |
| Legislative:  |                    |                    |                   |  |
| Township Board  | 21 950 00          | 21 950 00          | 16 288 18         | (5 661 82)                                       |
| General government:   |                    |                    |                   |  |
| Supervisor  | 7 753 00           | 7 753 00           | 7 665 36          | (87 64)  |
| Elections   | 3 500 00           | 3 500 00           | 2 588 00          | (912 00)   |
| Assessor  | 12 962 00          | 15 962 00          | 15 095 80         | (866 20)   |
| Clerk   | 10 319 00          | 10 319 00          | 8 249 38          | (2 069 62)                                       |
| Board of Review   | 800 00             | 900 00             | 825 70            | (74 30)  |
| Treasurer   | 11 819 00          | 11 819 00          | 11 520 96         | (298 04)   |
| Township Hall   | 16 100 00          | 16 100 00          | 3 476 01          | (12 623 99)                                      |
| Public safety:  |                    |                    |                   |  |
| Fire protection   | 20 658 00          | 20 658 00          | 19 260 03         | (1 397 97)                                       |
| Public works:   |                    |                    |                   |  |
| Highways and streets  | 53 402 71          | 53 402 71          | 26 348 54         | (27 054 17)                                      |
| Sanitation  | 10 000 00          | 10 000 00          | 6 278 75          | (3 721 25)                                       |
| Culture and recreation:   |                    |                    |                   |  |
| Parks   | 9 000 00           | 12 350 00          | 1 000 00          | (11 350 00)                                      |
| Debt service  | 50 000 00          | 50 000 00          | 50 000 00         | -  |
| <b>Total expenditures</b>   | <b>228 263 71</b>  | <b>234 713 71</b>  | <b>168 596 71</b> | <b>(66 117 00)</b>                               |
| <b>Excess (deficiency) of revenues<br/>over expenditures</b>                                      | <b>(84 333 71)</b> | <b>(52 333 71)</b> | <b>21 708 57</b>  | <b>74 042 28</b>                                 |
| <b>Other financing sources (uses):</b>  |                    |                    |                   |  |
| Loan proceeds   | -                  | -                  | 23 165 99         | 23 165 99  |
| <b>Total other financing sources (uses)</b>   | <b>-</b>           | <b>-</b>           | <b>23 165 99</b>  | <b>23 165 99</b>                                 |
| <b>Excess (deficiency) of revenues and<br/>other sources over expenditures<br/>and other uses</b> | <b>(84 333 71)</b> | <b>(52 333 71)</b> | <b>44 874 56</b>  | <b>97 208 27</b>                                 |
| <b>Fund balance, April 1</b>  | <b>146 333 71</b>  | <b>146 333 71</b>  | <b>329 422 60</b> | <b>183 088 89</b>                                |
| <b>Fund Balance, March 31</b>   | <b>62 000 00</b>   | <b>94 000 00</b>   | <b>374 297 16</b> | <b>280 297 16</b>                                |

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2008

|                         |                   |
|-------------------------|-------------------|
| Township Board:         |                   |
| Salaries                | 3 295 20          |
| Payroll taxes           | 421 27            |
| Insurance               | 4 237 00          |
| Miscellaneous           | 1 104 41          |
| Retirement              | 4 441 01          |
| Dues                    | 2 789 29          |
|                         | <u>16 288 18</u>  |
| Supervisor:             |                   |
| Salary                  | 7 452 96          |
| Supplies                | 212 40            |
|                         | <u>7 665 36</u>   |
| Elections:              |                   |
| Wages                   | 1 548 00          |
| Supplies                | 1 040 00          |
|                         | <u>2 588 00</u>   |
| Assessor:               |                   |
| Salary                  | 9 961 92          |
| Supplies                | 5 133 88          |
|                         | <u>15 095 80</u>  |
| Clerk:                  |                   |
| Salary                  | 7 819 08          |
| Supplies                | 430 30            |
|                         | <u>8 249 38</u>   |
| Board of Review:        |                   |
| Salaries                | 773 50            |
| Supplies                | 52 20             |
|                         | <u>825 70</u>     |
| Treasurer:              |                   |
| Salary                  | 7 819 08          |
| Supplies                | 3 701 88          |
|                         | <u>11 520 96</u>  |
| Township hall:          |                   |
| Telephone               | 568 89            |
| Utilities               | 1 189 68          |
| Maintenance and repairs | 1 621 74          |
| Supplies                | 95 70             |
|                         | <u>3 476 01</u>   |
| Fire protection:        |                   |
| Contracted services     | 19 260 03         |
| Highways and streets:   |                   |
| Contracted services     | 24 003 91         |
| Street lighting         | 2 344 63          |
|                         | <u>26 348 54</u>  |
| Sanitation:             |                   |
| Contracted services     | 6 278 75          |
| Parks:                  |                   |
| Repairs and maintenance | 1 000 00          |
| Debt service            | <u>50 000 00</u>  |
| Total Expenditures      | <u>168 596 71</u> |

TOWNSHIP OF MANISTIQUE  
Schoolcraft County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2008

|                    | <u>Balance</u><br><u>4/1/07</u> | <u>Additions</u>    | <u>Deductions</u>   | <u>Balance</u><br><u>3/31/08</u> |
|--------------------|---------------------------------|---------------------|---------------------|----------------------------------|
| <u>Assets</u>      |                                 |                     |                     |                                  |
| Cash in Bank       | <u>803 91</u>                   | <u>1 024 244 52</u> | <u>1 024 929 72</u> | <u>118 71</u>                    |
| <u>Liabilities</u> |                                 |                     |                     |                                  |
| Due to other funds | 803 91                          | 47 995 12           | 48 730 63           | 68 40                            |
| Due to others      | <u>-</u>                        | <u>976 249 40</u>   | <u>976 199 09</u>   | <u>50 31</u>                     |
| Total Liabilities  | <u>803 91</u>                   | <u>1 024 244 52</u> | <u>1 024 929 72</u> | <u>118 71</u>                    |

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

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TEL (989) 894-1040  
FAX (989) 894-5494

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

May 7, 2008

To the Township Board  
Township of Manistique  
Schoolcraft County, Michigan

We have audited the financial statements of the Township of Manistique for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Manistique in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Manistique  
Schoolcraft County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants